

SUSTAINED DEVELOPMENT IN ECONOMY AS A DIRECTION OF ENTERPRISE DEVELOPMENT

Katarzyna MIDOR, Leszek TARASIŃSKI

Summary: The publication presents the development of economy from the point of view of sustained development. The deliberations contained in this study aim at defining the directions of activity that a contemporary enterprise should undertake in order to reduce its negative effect on the environment in the future, while increasing its profitability today. The presented concept of sustained enterprise development encourages managers to focus their activity on three subjects: shareholders, society and natural environment.

Keywords: sustained development, sustainable enterprise development, enterprise management.

1. The place of sustained development in the contemporary world

Views among economists have a considerable influence on the policy followed in economy. Therefore, the direction of contemporary economics development, attempting to meet the needs related to changes in the surrounding reality is of vital importance. When talking about changes, the authors mean the following facts: man uses more natural resources that the Earth is able to provide, we live on ecological credit and our debts keep increasing. For this reason, we are losing at a dramatic speed the natural riches of our planet, which determine our existence [1]. Over the last two decades, globalization and the monetary approach towards many areas of life have been considered the way which is supposed to lead us to general prosperity, while natural environment issues, the principles of human cohabitation and morality have been pushed on to the sidelines. And although today we can observe an increasing social awareness of the necessity to change the direction of development, we still believe in “more important things”. Among others, the last world crisis dating from the years 2009/2010 continues to play down such problems as global warming, the depletion of natural resources, starvation and poverty in many regions of the world. This crisis, however, made us once more realize that we cannot live beyond our means, as the surrounding world strives for balance. This striving for stability, among others in management sciences, is expressed in the principle of balance, that is, the equivalence of exchange. This principle means that an organisation must satisfy the needs of the environment and the environment must satisfy the needs of the organisation. Therefore, the environment is exploited by an organisation as long as the latter is able to maintain its dominance, or until free resources in the environment have been depleted [2]. Looking at economy from the angle of the sustained development idea and organising it according to its principles seems to be not only a need, but simply a necessity, as we already know today that the market itself does not provide protection for man or environment.

The necessity of changes in the direction of social and economic development was realized in the 1960s, when the so-called Roman Club, an informal international organisation established in 1968 and embracing ca 80 scientists and politicians from all over the world, published four reports: “The Limits of Growth”, “Humanity at a Turning

Point”, “Future in Our Hands” and “A revolution of the Barefoot”. They became a pioneer attempt to predict many global phenomena and problems as well as a serious warning. In the report-manifesto “The Limits of Growth”, a team of researchers headed by Dennis Meadows questioned the former view that the development of mankind is not restrained by anything, and the development of science and technology is going to overcome environmental barriers. Further investigations conducted in later years by independent institutions [3] confirmed the mutual relations between demographic phenomena, production and the natural environment. These studies revealed that the tendencies in economy might threaten with the annihilation of humankind due to the exhaustion of non-renewable resources and environment degradation. All that influenced the directions of thinking and the undertaken actions. The growing knowledge acquired by scientists in developed countries about the consequences which result from continuing the economic policy based solely on an economic growth contributed to the formation of the notion “eco-development”, and next the concept of “sustainable development” [3].

The term “eco-development” was first used at the UN conference in Stockholm in 1972 and formulated more precisely in 1975 during the UN Environment Protection Scheme III Managing Session. At that time, a thesis was adopted according to which a society fulfilling the eco-development ideas is: the one that accepts the primacy of ecological requirements, which may not be disturbed by civilizational growth or a cultural and economic development, a society capable of controlling its own development in order to maintain homeostasis and symbiosis with nature, that is to say, a society which respects economical production and consumption as well as the use of waste, a society which thinks about future consequences of undertaken actions, thus taking care of the needs and health of future generations [4].

However, the proposed definition of eco-development was interpreted in different ways. Most interpretations of this term focused on activity protecting the environment, while maintaining a particular pace of economic development. But in other interpretations the main postulate was to limit the material production growth. Such an interpretation of the eco-development idea could not be accepted by the existing world capitalist economy. For this reason, in 1987, in the so-called Brundtland Report, the idea of eco-development was enriched with the idea combining ecological values with market laws, which led to the formation of the notion *sustainable development*, translated into the Polish language as a “balanced development”. In 1992, during the worldwide conference in Rio de Janeiro, called “The Earth Summit”, this notion was defined as a development which respects the requirements of environment protection when satisfying current social needs, and thus ensures the future for next generations. Since the conference in Rio de Janeiro sustainable development has been equated with eco-development [5].

Poland, which belongs to the European Union and aspires to be a modern and civilised country, also accepts the principles of sustainable development in its legislation. In the Environment Protection Act dated 27th April 2001 [6], sustainable development was defined as: a social and economic development in which political, economic and social activity is integrated while maintaining the natural balance and stability of basic natural processes in order to guarantee a possibility to satisfy basic needs of particular communities or citizens of both contemporary and future generations.

The essence of sustainable development is to ensure a lasting improvement of the contemporary and future generations’ environment by shaping adequate proportions between the economic, social and ecological capital. It is based on the assumption that the improvement, or at least non-deterioration of the natural environment condition should be one of the basic factors determining the economic and social development. In order to

achieve sustainable development it is necessary to make natural environment protection an integral part of social-economic and spatial development processes. It may not be considered in isolation from such processes. In other words, sustainable development consists in giving the civilizational progress a direction that preserves the resources and values of natural environment and actively protects it. Sustainable development consists of four basic elements:

- planning for the future, which means that when solving current problems we should not forget about future generations and their needs,
- planning for man's environment, which includes both natural and anthropogenic (made by man) elements,
- ensuring fair access to natural resources for contemporary and future generations,
- wide participation of various social groups in the taking of decisions concerning the directions and pace of developmental processes.

Apart from the above mentioned elements, it is necessary to mention the areas in which this issue is implemented. Activity on behalf of sustainable development is undertaken on three planes [3]:

- social plane, where the most important thing is to maintain cultural variety, the guarantee of social justice and co-participation in the social and political life,
- ecological plane, referring directly to the responsibility of a state and its citizens for the maintenance of biological diversity and ecosystem integrity,
- economic plane, aimed at satisfying the basic needs of people (limiting the poverty), supporting the equality, as well as increasing the availability of useful goods and services. The economic dimension is carried out through technological development, which is supposed to increase the effectiveness of the use of resources, materials and human labour as well as to enhance safety.

In practice, the economic implementation of sustainable development is possible only through economic activity based on three principles:

1. The principle of equilibrium, strictly speaking the principle of economic order. In the context of sustainable development, the holistic and interdisciplinary approach to economic order means adjusting the resource-absorption of management processes to the availability of all resources possessed by a community in a given area, i.e. natural resources, labour and capital resources.
2. The principle of effectiveness (rational management).
3. The principle of ensuring mutual benefits for cooperating subjects, which might be companies, social groups (e.g. the local community) as well as spatial systems (e.g. commune). It is mainly expressed by the society's participation in all enterprises connected with the social and economic development in a given area – both in the field of: planning, implementation, monitoring and control. A particular type of business activity should only be developed if the local population gives permission to and is interested in such development. Economic activity should be based on: the local developmental potential, i.e. local natural, human and material resources, local economic and investment initiative, arrangements regarding the final possibility of investing in the area, saving the land and other natural resources, possibly best use of the existing material elements of land development, ecologically "clean" production technologies, including the production of energy, balancing of all economic, social and ecological benefits and losses that result from a particular economic enterprise.

2. Sustainable enterprise development

Global events which played a major role in the propagation of sustainable development are: UN Conference in Stockholm in 1972, UN Conference “Environment and Development” in Rio de Janeiro in 1992 and UN Conference in Johannesburg in 2002. These conferences made highly developed countries, especially EU members, start undertaking a number of activities on behalf of environment protection and a change of the economic development model.

Initially, the concept of sustainable development referred chiefly to the development of the world and civilisation. However, since the time Agenda 21 at the conference in Rio de Janeiro was published, sustainable development has been used with reference to towns, communes and other local units, as well as to businesses. Agenda 21 defines sustainable development as a social and economic development ensuring the satisfaction of contemporary societies’ needs without harming the possibility of satisfying the needs of future generations.

Since the time Agenda was published, there have been many proposals suggesting the ways such a development might be carried out in business activity. Currently, in the field of associations related to sustainable enterprise development one may find such concepts as: social corporate responsibility, business ethics, triple bottom line¹ or management of relations with stakeholders.

Today sustainable enterprise development arouses the interest of managers and investors all over the world. The financial success of a company has ceased to be the only measure of economic activity; it is also perceived from the point of view of high ethical standards. On mature markets the question of the style of running a business is more and more frequently asked, the question which started to determine the choice of a particular brand-name, product or even an institution itself. As a result, the centre of gravity has been shifted from moralizing arguments and social criticism of companies’ behaviour to the searches of the most effective management instruments [7].

In the case of sustainable enterprise development, the subject of development becomes an enterprise, therefore the references are of microeconomic character and concern a single organisation. A proposed definition of sustainable enterprise development can be formulated as follows: it is a social and economic development of enterprises that enables the achievement of aspirations and profits without violating the possibility to fulfil aspirations and generate profits in the future. According to this definition, the key feature of development is its permanence. This means that the development of an enterprise should have a strategic long-term dimension; that it should proceed in a way which does not destroy the chances for future success and does not create today’s competitive advantages at the cost of the future ones [8].

The major challenge for creating a new way of management in an enterprise based on the sustainable development idea is to introduce an appropriate channel of obtaining information about and from the environment. This will allow defining the mission, vision, goals and tasks to be carried out in an enterprise. It is worth emphasising at this point that in the 1980s it was believed that it is enough to formulate the mission for a company to achieve success. Today the meaning of a vision, that is, an image of the future which the employees and managers want to create is stressed to a much greater degree, and a mission

¹ „Tripple bottom line”, sometimes translated into the Polish language as the concept of „triple bottom line” or “triple foundation”, was introduced by John Ellington in 1998. It assumes that the success of a company is influenced by its achievements in three dimensions: economic, ecological and social.

is merely a formulation of this vision for the purposes of the strategy. This is particularly important in the process of implementing a sustainable development strategy in an enterprise. Therefore, working out a vision becomes a responsible strategic step, which allows the sense of a company existence to be optimally defined [9].

In the above context, the main task to be fulfilled by an organisation is to create economic, social and ecological values. The essence of the sustainable development concept is the conviction that the necessary condition for an enterprise to survive in the long term is to satisfy social needs by delivering a product in a way preventing the natural and social capital degradation [10].

The contemporary environment of companies is complex and dynamic, so an extremely important element of the sustainable development concept implementation is to harmonise the complexities and diversities in the environment. This most frequently means that the enterprise owners and managers adopt an attitude based on care and openness to participation, partnership, negotiations or build lasting relations based on trust and honesty. This way, searching for adequate proportions and compromise solutions, we reduce that complexity of the environment. Negotiations of different, frequently contradictory interests provide a possibility of finding compromise solutions, which prevent conflicts that might hinder the enterprise development or make it impossible to carry out its strategic plans.

In January 2008 the report “A New Approach to Sustainable Corporate Development” was published. It was prepared by researchers from China, Spain, Singapore, USA and Great Britain. The report emphasises the role of sustainable development in the promotion of innovations implemented by an enterprise. The authors propose a thesis that sustainable development should be treated like a strategy rather than a goal, and that its achievement does not require serious reorganisation of the corporation structure. Instead, it is necessary to have a vision so that the new set of values, based on corporate responsibility and sustainable development, could be propagated in the whole organisation.

The prepared report presents 10 steps to introduce sustainable development in an enterprise [11]:

- 1. Introduction of innovative solutions in the area of sustainable growth as part of the company’s mission.**

The vision, mission and values of a company should be updated and sustainable development should be made a priority. As an enterprise guided by the sustainable development idea, the company should be generally recognisable – both inside and outside the organisation.

- 2. Working out a strategy based on sustainable development.**

Sustainable development should be clearly formulated in a business strategy. Otherwise it will be difficult to achieve. It is not enough to add the sustainable development idea to the existing strategy, as in such a case it will become a marginal and irrelevant matter.

- 3. Sustainable development should be built into all aspects of the operated business.**

It is worth creating a process thanks to which all company departments will recognize and understand the influence exerted by the enterprise on natural environment, economy and society, while trying to think of a way this knowledge can be used to implement innovative solutions in a coherent and systematic manner.

- 4. Actions more important than words.**

A highest-rank manager must believe in what he or she is doing. It is necessary to regularly explain to employees and shareholders how important such notions as

“responsibility” and “sustainable growth” are for the business and the process of innovation implementation. The completion of planned actions should also be controlled.

5. Appointing a body responsible for the accomplishment of particular elements of the sustainable development policy.

Many leading companies guided by the sustainable development idea have appointed committees the main task of which is to control the completion of planned activities. Other firms appoint medium-level managers responsible for the implementation of solutions based on the sustainable development idea. There are also companies having mixed committees made up of medium-level and highest-rank managers. Irrespective of the adopted organisational solutions, it is vital that a company should regularly address sustainable growth issues on the highest decision-making level.

6. Establishing clear rules.

It is necessary to work out a code of conduct regarding the issues of sustainable development. The code should be observed by both the company employees and its shareholders. It should be evident for everyone that persons failing to abide by the code instructions will not be tolerated in the company.

7. Engagement of all stakeholders.

All stakeholders related to the company should be identified – shareholders, employees, suppliers, clients and local communities. All of them should be engaged in the implementation of new sustainable development solutions. Each of the groups should be encouraged to participate in innovation processes and to work out sustainable solutions on their own.

8. Using the human potential.

Sustainable development should be a clearly expressed value at each stage of human resources management, no matter if at a given moment a company is looking for new employees, is employing experts, is organising a training course, is evaluating business results or is working out a system of remuneration or promotions. It is necessary to establish a training department, the primary goal of which will be to focus on creativity and innovation based on the sustainable development principles.

9. Join a network.

An increasing number of organisations, networks and other entities trying to promote the principles of sustainable development are appearing in the world. Companies should cooperate with such groups as: World Business Council on behalf of Sustainable Development, UN Global Agreement, International Business Leaders Forum and similar organisations on a local level. It is worth taking part in investment rankings concerning sustainable development, such as Sustainable Development Dow Jones Indexes or Corporate Responsibility Index.

10. Adjusting business systems to the company’s vision of sustainable development.

Sustainable development should be a basis for each central system – starting with human resources management, through the evaluation of suppliers, client relations management (CRM) and finishing with a strategic card of results. Such an approach favours taking coordinated, effective actions.

An enterprise following the principles of sustainable development must be managed in a way which does not harm possibilities of developing and achieving success in the future. Therefore, managers have to combine a number of methods and management concepts so

that the enterprise can sustainably influence the environment, which is understood here more broadly than merely natural environment. Examples which might be quoted at this point include: an analysis of stakeholders – by suggesting persons and groups among which one should look for influences important for the enterprise; triple bottom line – by focusing attention on economics, ecology and people related to the organisation; the peripheral vision concept, which suggests searching for the signs of forthcoming changes on the border of the actual field of vision, but also many other classic methods of strategic analysis, like Porter's Five Forces or PEST macro-environment analysis. All of them provide a hint for entrepreneurs, advising them to what areas they should pay attention so as not to overlook trends, phenomena and relations important for the future development.

Moreover, enterprises carrying out the sustainable development idea should undertake activities in the following areas [10]:

In the social area:

- work out a system of social responsibility,
- work out the company's code of conduct,
- actively manage human resources in a company,
- hold a social dialogue,
- monitor the costs of social engagement,
- build the company's intellectual capital,
- introduce OSH management on a permanent basis,
- introduce an incentive scheme for employees,

In the economic area:

- strive for profitability,
- raise financial resources,
- standardize a financial audit,
- observe the principle of transparency,
- build the company's added value,
- modernize the fleet of machines,
- concentrate production in one place,
- optimise and streamline production processes,
- select suppliers who follow the sustainable development idea.

In the ecological area:

- observe the regulations of the environment protection law,
- introduce environment management according to ISO 14000,
- reclaim and develop post-industrial land,
- introduce a permanent system of quality management in the organisation according to ISO 9000,
- optimally use energy sources,
- limit the discharge of pollutants into surface waters,
- use household waste.

3. Summary

The sustainable development idea has become an inherent part of contemporary enterprise management concepts. It is a kind of management which requires a broader look at the activity of an organisation, and in consequence demands paying attention not only to economic effects, but also to the manner of generating a profit by an organisation. It is a strategic concept.

As shown by experiences of well-known companies which have been implementing the sustainable development strategy for a long time, the best way for managers to understand the need for this idea realization is to see for themselves what the conditions of the employees' work at the supplier's place are or what the area around the place where the waste is dumped looks like. Then it is much easier to use all management instruments required by sustainable development.

It should be emphasised that an extremely important element is to inform the environment of the activities undertaken by an enterprise on behalf of sustainable development. This is particularly important in Poland, where organisations frequently fail to promote their activities undertaken in this field, which in consequence prevents good examples of pro-ecological and pro-social activities from being publicised.

The authors of the article hope that the presented study will contribute to the promotion of enterprise management based on sustainable growth.

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Dr inż. Katarzyna MIDOR
Politechnika Śląska
Wydział Organizacji i Zarządzania
Instytut Inżynierii Produkcji
ul. Roosevelta 26, 41-800 Zabrze, Polska
tel.: +4832 2777 350
e-mail: katarzyna.midor@polsl.pl

Dr Leszek TARASIŃSKI
Politechnika Radomska
Wydział Ekonomii
Katedra Ekonomii
ul. Chrobrego 31, 26-600 Radom, Polska
tel.: +4848 361 74 78
e-mail: leszek.tarasinski@pr.radom.pl